

December 22, 2009

Community Home Equity Conversion Corp.
132 Allens Creek Road
Rochester, New York 14618

Ms. Jennifer Johnson
Secretary, Board of Governors
Federal Reserve System
20th & Constitution Avenue, N.W.
Washington, DC 20551

RE: Proposed Closed-End Credit Rule (12 C.F.R 226)
74 Federal Register 43232 (August 26,2009)
Docket No. R- 1366 And
Proposed Open-End Credit Rule (12 C.F.R 226)
74 Federal Register 43428 (August 26, 2009)
Docket No. R- 1367

Dear Ms. Johnson:

With regard to useful, concise disclosure of comparative loan costs to consumers, the improvements provided by the proposed rules are insufficient. Respectfully, the retooled approach simply answers the wrong questions: How much does the originations function cost and how much does an originator make? The more useful, informative questions are:

A. How much are *these loan terms* going to cost me over my expected holding period?

B. How does this Total Loan Cost compare to other market based transactions?

Additionally, the proposal does not fulfill the essential requirements to simplify, reduce the obscuring clutter of paperwork, improve actual transparency or provide straightforward, useful, decision enabling information to consumers.

1. The proposed rule is directed to only one, and probably not the most important, cost element of the loan transaction; *earnings and compensation* to an individual loan originator (or broker), plus most transaction costs. These are figures of interest, but obviously incomplete and misleading to consumers seeking to better understand and compare a loans cost relative to market alternatives; i.e. get a more suitable deal. A loan originator's compensation should not be considered a proxy for a loan's Total Cost for the purposes of comparison.
2. If compensation is to be developed as an appropriate measurement scheme, *the full revenue stream must be disclosed to the consumer. This includes the market value derived from the loan features and terms relative to a price measure for loans with similar qualities (e.g. relationship to par)*. These core components are often the largest determinants of the total cost to the consumer. However, they are entirely omitted from the present and proposed disclosure methodologies. To continue this practice is akin to enabling a stock broker to sell individual stocks without providing the consumer access to current and actual market prices for that stock.

It is clear that individual Loan Originators should not be compensated on the basis of their ability to sell consumers above market interest rates. However, that fact should be considered separately from the best methods to provide consumers decision making information. The present and proposed methods do not provide complete, straight forward figures or relevant market benchmarks that enable actionable consumer decision making. The format is distractingly complex, incomplete in their elements and arguably disingenuous by directing the focus to a single element of the pricing continuum (originations cost only). In the context of the total transaction, the originations component may or may not be a major determinant of the total economic cost to the consumer. If the disclosure goal is to describe the various revenue streams of the transaction as the optimal method to inform consumers, then all streams must be fully disclosed.

However, describing and detailing the various revenue stream elements is not likely to be the most effective means to provide meaningful and useful, comparative data to consumers. The recent mortgage crisis would not have been averted by increased disclosure of originator compensation and a prohibition of “yield spread premiums” [e.g. premium coupons] at only the originator level. The major determinants were the product design(s) itself, the entities that provided them and the capital markets earnings that were available to those entities through premium pricing structures. Opportunism within originations component was but a single point along a continuum of opportunists. And, the largest beneficiaries along that continuum were not the loan originators. The proposal presented in #2 above addresses that reality by requiring that the consumer be informed of the total revenue stream.

Total Annual Loan Cost Computation and Disclosure

A more effective alternative to designing enhancements to current practices (ever increasing documentation of distracting back room detail and incrementally costing a loan throughout the originations function), is to require a meaningful, 1 page, illustration of comparative loan features and types. The sole consumer output would be a table of Total Annual Loan Costs (TALC) under various scenarios. These can be expressed as a single composite annual percentage rate for stated holding periods (includes all transactions costs). The result is crystal clear, uncluttered, concise, useful data to consumers that presents their exact individual transaction for comparison. A basic version of this methodology is already in use with the FHA HECM program. A modified and improved version of this tool would provide simple, objective, and actionable information to consumers.

The overwhelming advantages of providing comparative data through this method are simplicity, clarity and an inability of the lender to influence outcomes. There is very little need to classify and debate individual costs; almost all are included in the calculation. The effects of elapsed time, different interest rates and transactions costs are clearly reflected in the outputs. The smokescreen of minutia that has obscured meaningful consumer information is eliminated and consolidated into usable figures.

Practitioners know, and studies show, that consumers overwhelmingly state the volumes of minutia and disclosures that have become standard industry practice are not useful. The practice is simply overly complex and overwhelming. These mountains of documents and minutia provide significant protections to the lending industry while providing little actual value to consumers. The clear solution for both consumers and industry is to provide concise answers to these two questions:

WHAT IS THIS LOAN GOING TO COST ME? (expressed as a single consolidated percentage)

HOW DOES IT COMPARE? (TALC's are universal and easily compared)

The Total Annual Loan Cost Calculation (“TALC”) captures and consolidates all costs into a single figure and provides precise answers for the first question. It also provides a consistent basis to factually compare product options, for example different loan coupons, coupled with different transactions costs, over

specified periods of time. Additionally, TALC provides a consistent tool for comparing among lenders. Separately, providing a simple graph that plots the particular loans TALC relative to a proxy of the broader market range (something like the yellow appliance energy efficiency graph) could provide easily understood information for a consumer to understand the relative competitiveness of the offering.

The consumer would benefit tremendously if the industry and regulators would re-phrase the question from compensation practices to actual and structural end user loan costs. An existing tool, TALC can be easily deployed to provide the universal and straight forward measure for consumers to evaluate the terms of their proposed transaction, over their expected holding period, and compare that to others.

Sincerely,

Mark A. Browning
President